

CONTROL OVER ISSUING OF GUARANTEES BY
A BANKING CORPORATION

The procedures that a banking corporation must determine regarding issuing of guarantees should relate *inter alia* to the following subjects:

- (a) The kind of guarantees the banking corporation will issue;
- (b) A uniform format for all kinds of guarantees and arrangements for approving departures from the uniform format by an authorized party;
- (c) Printing the guarantees on special paper;
- (d) Numbering the guarantee forms in advance, with each kind of guarantee bearing a different series number;
- (e) Arrangements for keeping the forms in an enclosed, safe place, with controlled access to it;
- (f) Recording the details of the guarantees in a guarantees book which will be kept at each branch, by kind of guarantee, specifying the numbering of the guarantee forms even before they are used, in consecutive order;
- (g) The way the guarantee paper is to be approved by an authorized signatory, referring to the approval of guarantees for large amounts, as determined by the management;
- (h) The way the guarantees are to be issued, the recording in the guarantees book, the recording in the accounts, filing of the various copies, etc.
- (i) The way the branch is monitoring the stock of empty guarantee forms by periodical reconciliation between the numbers on the as-yet-unused guarantee forms recorded in the guarantees book and the stock of empty forms. This process should be programmed in such ways that the numbers on the guarantee forms issued to each branch are reported to the computer. When a guarantee is issued, its number shall be removed from the file in the computer as part of the book-keeping process, so that at any time it will be possible to obtain a report of the numbers of the empty forms that

should be in stock. The frequency of this report and its examination is to be determined;

- (j) If the bank guarantee is contingent on the underlying transaction between the party requesting the guarantee and the party benefiting from the guarantee – monitoring the existence of the debt against which the guarantee was issued, and the cancellation of the guarantee once it expires due to repayment of the debt;
- (k) Monitoring the completeness of the records in the book-keeping by periodical reconciliation of the balance in the guarantees book with the balance recorded in the accounts.

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